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TOWNSHIP OF TUSCOLA TUSCOLA COUNTY, MICHIGAN

FINANCIAL STATEMENTS
MARCH 31, 2005

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RSM McGladrey Network

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Tuscola	County Tuscola
Audit Date 3/31/05	Opinion Date 5/25/05	Date Accountant Report Submitted to State: 9/12/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name)

Weinlander Fitzhugh

Street Address

1600 Center Ave.

City

Bay City

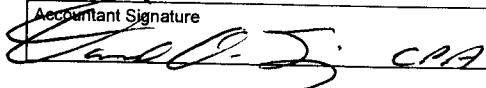
State

MI

ZIP

48708

Accountant Signature



Date

9/10/05

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INDEPENDENT AUDITORS' REPORT

May 25, 2005

Township Board
Township of Tuscola
Tuscola County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Tuscola, Tuscola County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the index. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Tuscola as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

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WEINLANDER FITZHUGH

Township Board
Township of Tuscola
May 25, 2005
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as noted in the index are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles and the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Weinlander Fitzhugh

Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Our discussion and analysis of the Township of Tuscola's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005.

Financial Highlights

State shared revenues accounted for \$150,081 or 37% of the Township's total revenues. The General Fund reported an increase in fund balance of \$44,345.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township of Tuscola financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Township, presenting both an aggregate view of the Township's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For Governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Township's operations in more detail than the Government-wide financial statements by providing information about the Township's significant funds—the General Fund and all Special Revenue Funds. The statement of fiduciary net assets, presents financial information about activities for which the Township acts solely as an agent or trustee.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund, Refuse Fund, Fire Fund and the Ambulance Fund
(Required Supplemental Information)

Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Township's finances is, "Is the Township better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Township's net assets as a way to measure the Township's financial position. The change in net assets provides the reader a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base, and facility conditions in arriving at their conclusion regarding the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, the Township is combined into one kind of activity:

- Governmental Activities—Most of the Township's basic services are reported here, including the fire, refuse, ambulance and general administration. Sales taxes (stated shared revenues) and property taxes finance most of these activities.

Reporting the Township's Most Significant Funds

Fund Financial Statements

The Township's fund financial statements provide detailed information about the most significant funds—not the Township as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue.

Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Governmental Funds

Most of the Township's activities are reported in Governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental fund statements provide a detailed short-term view of the Township's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Township's programs. The relationship (or differences) between Governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental funds is reconciled in the basic financial statements.

Fiduciary Funds

The Township is the trustee, or fiduciary, for tax collections and (other funds). The Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the assets cannot be utilized by the Township to finance its operations.

Township-wide Financial Analysis

Financial position - The statement of net assets provides the perspective of the Township as a whole. Exhibit A provides a summary of the Township's net assets as of March 31, 2005.

Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

<u>Exhibit A</u>	<u>Governmental Activities</u>
Assets	
Current and other assets	\$ 260,355
Capital assets - net of accumulated depreciation	<u>303,006</u>
Total assets	<u>563,361</u>
Liabilities	
Current liabilities	11,795
Long-term liabilities	<u>0</u>
Total liabilities	<u>11,795</u>
Net Assets	
Invested in property and equipment - net of related debt	299,218
Restricted	118,961
Unrestricted	<u>133,387</u>
Total net assets	<u>\$ 551,566</u>

Exhibit A focuses on net assets. The Township's total net assets were \$551,566 at March 31, 2005. Capital assets net of related debt, totaling \$299,218 compares the original costs, less depreciation of the Township's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net assets of \$118,961 are reported separately to show legal constraints that limit the Township's ability to use those net assets for day-to-day operations.

The \$133,387 of unrestricted net assets of Governmental represents the *accumulated* results of all past years' operations. The operating results of the General and Special Revenue Funds will have a significant impact on the change in unrestricted assets from year to year.

Results of operations - The results of this year's operations for the Township as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended March 31, 2005. Exhibit B provides a summary of the Township's operations for the year. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2004 is not available.

Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Governmental
Activities

Exhibit B

Revenue

Program revenue:

Charges for services \$ 5,879

General revenue:

Taxes 221,645

State shared revenue 150,081

Interest and investment earnings 1,699

Other 29,203

Total revenue 408,507

Function/Program Expenses

General government 129,076

Public safety 59,246

Public works 155,722

Other 28,766

Recreation and culture 9,656

Total expenses 382,466

Increase in Net Assets \$ 26,041

Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

As reported in the statement of activities, the cost of all of our *Governmental* Activities this year was \$382,466. Certain activities were partially funded by \$5,879 from those who benefited from the programs. We paid for the remaining "public benefit" portion of our Governmental Activities with \$221,645 in taxes, \$150,081 in state shared revenue, and with our other revenues, such as interest and miscellaneous revenues.

The Township experienced an increase in net assets of \$26,041, mainly due to actual expenditures being less than anticipated. There were no significant revenue increases this year. The increase in net assets differs from the change in fund balance and a reconciliation appears in the financial statements.

The Township's Funds

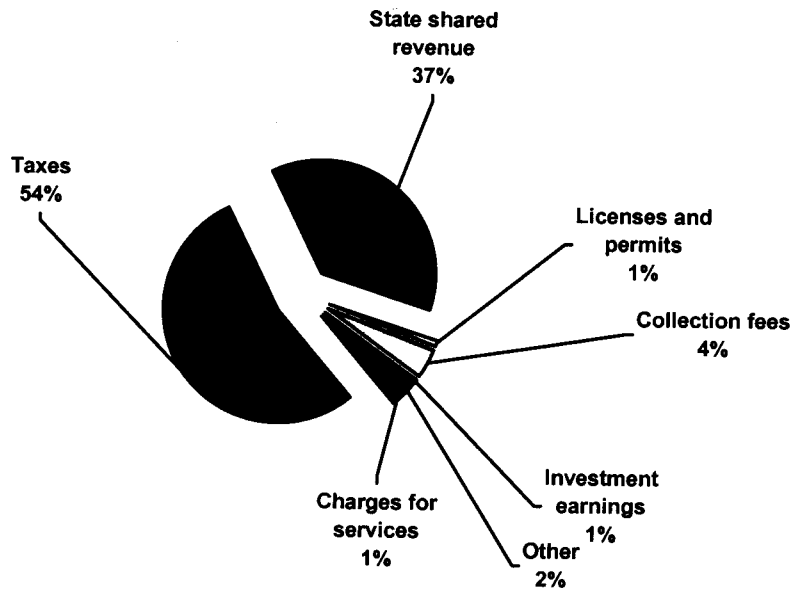
The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health.

The Township's Governmental funds reported a combined fund balance of \$252,348, which is above last year's total of \$220,115. The schedule below details the fund balance and the total change in fund balances as of March 31, 2005.

	Fund Balance March 31, 2005	Fund Balance March 31, 2004	Increase (Decrease)
General fund	\$ 133,387	\$ 89,042	\$ 44,345
Special Revenue funds	118,961	131,073	(12,112)
Total	<u>\$ 252,348</u>	<u>\$ 220,115</u>	<u>\$ 32,233</u>

Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

The graph below details the major sources of the Township's governmental revenues.



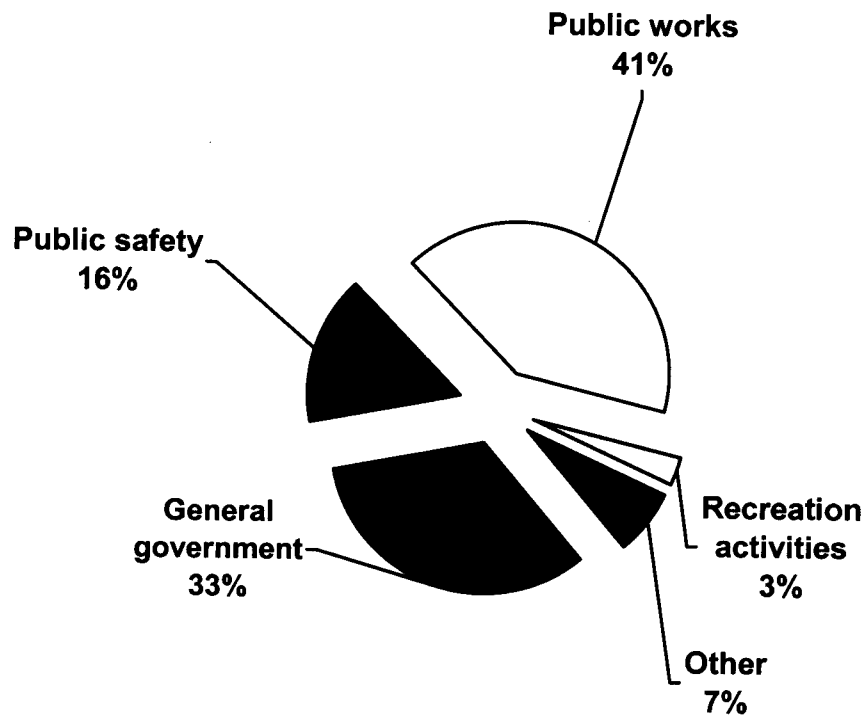
The chart below compares current year revenues with last year.

<i>Revenues by Function</i>	2005	2004	Percentage Change
Taxes	\$ 221,645	\$ 223,122	-1%
Collection fees	18,281	18,772	-3%
State shared revenue	150,081	158,153	-5%
Charges for services	5,879	2,268	159%
Investment earnings	1,699	1,342	27%
Licenses and permits	1,333	1,408	-5%
Other	9,589	6,341	51%
Total	<u>\$ 408,507</u>	<u>\$ 411,406</u>	<u>-1%</u>

Overall, 2005 revenues were down \$3,000 or 1% mainly due to the decrease of state shared revenue which decreased by \$8,072.

Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

The graph below details the governmental expenditure categories of the Township.



The chart below compares current year expenditures with last year.

<i>Expenditures by Function</i>	2005	2004	Percentage Change
General government	\$ 122,884	\$ 131,275	-6%
Public safety	59,246	39,363	51%
Public works	155,722	150,923	3%
Recreation and cultural	9,656	2,512	284%
Other	28,766	64,120	-55%
Total	<u>\$ 376,274</u>	<u>\$ 388,193</u>	<u>-3%</u>

Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Expenditures are down \$12,000 or 3% from the prior year mostly due to a decrease in the area of road expenditures.

General Fund Budgetary Highlights

Over the course of the year, the Township revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues and expenditures did not change during 2005.
- Actual revenues were \$27,856 more than anticipated during the fiscal year. This was a result of property taxes, tax administration fees and other revenue being more than anticipated.
- Actual expenditures for the year were \$62,473 less than anticipated, mainly due to the decrease in road expenditures and the postponement of the land purchase adjacent to the township hall.

Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Capital Assets

At March 31, 2005, the Township had \$404,981 invested in a broad range of capital assets, including land, buildings, improvements, furniture and fixtures, machinery and equipment and office equipment. This amount represents no change from last year.

	Governmental Activities	
	2005	2004
Land	\$ 10,164	\$ 10,164
Buildings and improvements	300,600	300,600
Furniture and fixtures	41,211	41,211
Machinery and equipment	29,855	29,855
Transportation equipment	23,151	23,151
Total capital assets	404,981	404,981
Less accumulated depreciation	101,975	84,416
Net capital assets	<u>\$ 303,006</u>	<u>\$ 320,565</u>

We present more detailed information about our Governmental Activities capital assets in the notes to the financial statements. We anticipate capital additions next year will be as follows:

Purchase of land adjacent to the township hall	\$	35,000
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Township of Tuscola
Management's Discussion & Analysis
For the Year Ended March 31, 2005

Debt

At the end of this year, the Township had \$3,788 in long-term debt outstanding versus \$15,156 in the previous year. All of the Township's debt is related to office equipment leasing activities.

Factors Expected to Have an Effect on Future Operations

We expect to see a decline in state shared revenue next year as the State of Michigan continues to face challenges in balancing its budget. As in prior years, the Township has faced a continued increase in salaries and insurance premiums. The Township is committed to providing the same quality services with an expected decrease in funding.

Contacting The Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, contact the Township Clerk's Office at Box 12, Tuscola, MI 48769.

TOWNSHIP OF TUSCOLA
Statement of Net Assets
March 31, 2005

	Governmental <u>Activities</u>
<u>Assets</u>	
Cash and investments	\$ 243,416
Taxes receivable	16,939
Capital assets - less accumulated depreciation of \$101,975	<u>303,006</u>
Total Assets	<u>563,361</u>
<u>Liabilities</u>	
Accounts payable	8,007
Noncurrent liabilities:	
Lease payable due within one year	<u>3,788</u>
Total Liabilities	<u>11,795</u>
<u>Net Assets</u>	
Invested in capital assets net of related debt	299,218
Restricted	118,961
Unrestricted	<u>133,387</u>
Total Net Assets	<u><u>\$ 551,566</u></u>

See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA
Statement of Activities
For the Year Ended March 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Governmental Activities</u>
Primary government:		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
General government	\$ 129,076	\$ 5,879	\$ (123,197)
Public safety	59,246	0	(59,246)
Public works	155,722	0	(155,722)
Other	28,766	0	(28,766)
Recreation and culture	9,656	0	(9,656)
Total primary government	<u>\$ 382,466</u>	<u>\$ 5,879</u>	<u>(376,587)</u>
General Revenues:			
Property taxes			221,645
State shared revenues			150,081
Interest			1,699
Tax administration fee			18,281
Miscellaneous			10,922
Total general revenues			<u>402,628</u>
Change in net assets			26,041
Net assets - beginning of year			<u>525,525</u>
Net assets - end of year			<u>\$ 551,566</u>

See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA

Governmental Funds

Balance Sheet

March 31, 2005

	General Fund	Refuse Fund	Fire Fund	Ambulance Fund	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 127,743	\$ 64,739	\$ 36,747	\$ 14,187	\$ 243,416
Taxes receivable	5,644	7,980	1,540	1,775	16,939
Total assets	<u>\$ 133,387</u>	<u>\$ 72,719</u>	<u>\$ 38,287</u>	<u>\$ 15,962</u>	<u>\$ 260,355</u>
<u>Liabilities</u>					
Accounts payable	\$ 0	\$ 8,007	\$ 0	\$ 0	\$ 8,007
Total liabilities	<u>0</u>	<u>8,007</u>	<u>0</u>	<u>0</u>	<u>8,007</u>
<u>Fund Balances</u>					
Reserved	0	64,712	38,287	15,962	118,961
Unreserved	133,387	0	0	0	133,387
Total fund balances	<u>133,387</u>	<u>64,712</u>	<u>38,287</u>	<u>15,962</u>	<u>252,348</u>
Total Liabilities and Fund Balances	<u>\$ 133,387</u>	<u>\$ 72,719</u>	<u>\$ 38,287</u>	<u>\$ 15,962</u>	<u>\$ 260,355</u>

See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
March 31, 2005

Total fund balances - governmental funds	\$ 252,348
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds:

Cost of capital assets	\$ 404,981	
Accumulated depreciation	<u>(101,975)</u>	303,006

Long-term liabilities are not due and payable in the current
period and are not reported in the funds:

Lease payable	<u>(3,788)</u>
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Total net assets - governmental activities	<u><u>\$ 551,566</u></u>
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See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended March 31, 2005

Revenues		General Fund	Refuse Fund	Fire Fund	Ambulance Fund	Total
State shared revenue	\$	150,081	0	0	0	\$ 150,081
Property taxes		83,107	95,280	22,683	20,575	221,645
Licenses and permits		1,333	0	0	0	1,333
Tax administration fee		18,281	0	0	0	18,281
Sale of cemetery lots		5,879	0	0	0	5,879
Interest		604	351	457	287	1,699
Other revenue		9,589	0	0	0	9,589
Total revenues		268,874	95,631	23,140	20,862	408,507
Expenditures						
Current:						
General government		122,884	0	0	0	122,884
Public safety		1,800	0	40,185	17,261	59,246
Public works		61,423	94,299	0	0	155,722
Recreation and cultural		9,656	0	0	0	9,656
Other		28,766	0	0	0	28,766
Total expenditures		224,529	94,299	40,185	17,261	376,274
Excess (deficiency) of revenues over expenditures		44,345	1,332	(17,045)	3,601	32,233
Fund balance - beginning of year		89,042	63,380	55,332	12,361	220,115
Fund balance - end of year	\$	133,387	\$ 64,712	\$ 38,287	\$ 15,962	\$ 252,348

See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balance - total governmental funds	\$ 32,233
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation Depreciation expense	 (17,559)
Long-term liabilities are not due and payable in the current period and are not reported in the funds: Lease payments	 <u>11,367</u>
Change in net assets of governmental activities	<u><u>\$ 26,041</u></u>

See accompanying notes to financial statements

TOWNSHIP OF TUSCOLA
Fiduciary Fund
Statement of Net Assets
March 31, 2005

	Current Tax Fund
<u>Assets</u>	
Cash and cash equivalents	<u>\$ 35</u>
<u>Net Assets</u>	
Total Net Assets	<u><u>\$ 35</u></u>

See accompanying notes to financial statements.

Township of Tuscola
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Tuscola conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Tuscola:

Reporting Entity

The Township of Tuscola is governed by an elected board and provides such services as public safety, highways and streets, and sanitation to approximately 2,200 residents. The accompanying financial statements present the financial position and results of operations for the Township.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Township of Tuscola
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Refuse Fund – The Garbage and Rubbish Collection Fund is used to record transactions relative to the collection and disposal of garbage and rubbish.

Fire Fund – The Fire Fund is used to record transactions relative to the fire services provided to the Township.

Ambulance Fund – The Ambulance Fund is used to record transactions relative to the ambulance services provided to the Township.

Township of Tuscola
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments – Cash and investments are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 Years
Furniture and fixtures	5 to 7 Years
Machinery and equipment	5 to 7 Years
Office equipment	5 to 7 Years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period.

Township of Tuscola
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounting Change – Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided. Statement 34 requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

Net assets at April 1, 2004 have been restated as follows:

Total fund equity per 2004 financial statements	\$ 220,116
Capital assets owned by the Township	404,981
Accumulated depreciation on capital assets	(84,416)
Leases payable	<u>(15,156)</u>
Net assets at April 1, 2004, as restated	<u><u>\$ 525,525</u></u>

Township of Tuscola
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

The Township of Tuscola follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township's supervisor submits to the Board a proposed budget prior to April 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund, Refuse Fund, Fire Fund and Ambulance Fund are presented as Required Supplemental Information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Township of Tuscola incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Function</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
Fire Fund:			
Public safety	\$19,507	\$40,185	\$20,678
Ambulance Fund:			
Public safety	17,216	17,261	45

Township of Tuscola
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

Governmental activities	\$ 243,416
Fiduciary funds	<u>35</u>
Total	<u><u>\$ 243,451</u></u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts, certificates of deposit)	<u><u>\$ 243,451</u></u>
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The bank balance of the Township's deposits is \$246,179, of which \$100,000 is covered by federal depository insurance.

Township of Tuscola
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 10,164	\$ 0	\$ 0	\$ 10,164
Capital assets being depreciated:				
Buildings and improvements	300,600	0	0	300,600
Furniture and fixtures	41,211	0	0	41,211
Machinery and equipment	29,855	0	0	29,855
Office equipment	23,151	0	0	23,151
Subtotal	<u>394,817</u>	<u>0</u>	<u>0</u>	<u>394,817</u>
Less accumulated depreciation for:				
Buildings and improvements	31,813	7,338	0	39,151
Furniture and fixtures	12,477	6,238	0	18,715
Machinery and equipment	20,907	2,367	0	23,274
Office equipment	19,219	1,616	0	20,835
Subtotal	<u>84,416</u>	<u>17,559</u>	<u>0</u>	<u>101,975</u>
Net capital assets being depreciated	<u>310,401</u>	<u>(17,559)</u>	<u>0</u>	<u>292,842</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 320,565</u>	<u>\$ (17,559)</u>	<u>\$ 0</u>	<u>\$ 303,006</u>

Township of Tuscola
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	<u>\$ 17,559</u>
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NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no inter-fund receivable or payable balances at March 31, 2005, nor any transfers made during the year ended March 31, 2005.

NOTE 6 - LEASE COMMITMENT

During the 2002-2003 year, the Township entered into a 3-year, zero percent interest lease for office equipment totaling \$34,103. The schedule of future lease payments as of March 31, 2005 are:

<u>Year</u>	<u>Amount</u>
2005-2006	<u>\$3,788</u>

TOWNSHIP OF TUSCOLA
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
State shared revenue	\$ 150,000	\$ 150,000	\$ 150,081	\$ 81
Property taxes	74,500	74,500	83,107	8,607
Licenses and permits	1,518	1,518	1,333	(185)
Tax administration fee	12,000	12,000	18,281	6,281
Sale of cemetery lots	2,500	2,500	5,879	3,379
Other revenue	400	400	9,589	9,189
Interest	100	100	604	504
Total revenues	<u>241,018</u>	<u>241,018</u>	<u>268,874</u>	<u>27,856</u>
<u>Expenditures</u>				
General government	128,934	133,127	122,884	10,243
Public safety	2,100	2,625	1,800	825
Public works	95,000	98,460	61,423	37,037
Recreation and cultural	1,500	9,660	9,656	4
Other	54,468	38,130	28,766	9,364
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total expenditures	<u>287,002</u>	<u>287,002</u>	<u>224,529</u>	<u>62,473</u>
Excess (deficiency) of revenues over expenditures	(45,984)	(45,984)	44,345	90,329
Fund balance - beginning of year	<u>89,042</u>	<u>89,042</u>	<u>89,042</u>	<u>0</u>
Fund balance - end of year	<u>\$ 43,058</u>	<u>\$ 43,058</u>	<u>\$ 133,387</u>	<u>\$ 90,329</u>

TOWNSHIP OF TUSCOLA
Required Supplemental Information
Budgetary Comparison Schedule - Refuse Fund
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 94,596	\$ 94,596	\$ 95,280	\$ 684
Interest	0	0	351	351
Total revenues	94,596	94,596	95,631	1,035
<u>Expenditures</u>				
Public works	157,457	157,457	94,299	63,158
Total expenditures	157,457	157,457	94,299	63,158
Excess (deficiency) of revenues over expenditures	(62,861)	(62,861)	1,332	64,193
Fund balance - beginning of year	63,380	63,380	63,380	0
Fund balance - end of year	\$ 519	\$ 519	\$ 64,712	\$ 64,193

TOWNSHIP OF TUSCOLA
Required Supplemental Information
Budgetary Comparison Schedule - Fire Fund
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 31,779	\$ 31,779	\$ 22,683	\$ (9,096)
Interest	0	0	457	457
Total revenues	31,779	31,779	23,140	(8,639)
<u>Expenditures</u>				
Public safety	19,507	19,507	40,185	(20,678)
Total expenditures	19,507	19,507	40,185	(20,678)
Excess (deficiency) of revenues over expenditures	12,272	12,272	(17,045)	(29,317)
Fund balance - beginning of year	55,332	55,332	55,332	0
Fund balance - end of year	<u>\$ 67,604</u>	<u>\$ 67,604</u>	<u>\$ 38,287</u>	<u>\$ (29,317)</u>

TOWNSHIP OF TUSCOLA
 Required Supplemental Information
 Budgetary Comparison Schedule - Ambulance Fund
For the Year Ended March 31, 2005

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Property taxes	\$ 17,216	\$ 17,216	\$ 20,575	\$ 3,359
Interest	0	0	287	287
Total revenues	17,216	17,216	20,862	3,646
<u>Expenditures</u>				
Public safety	17,216	17,216	17,261	(45)
Total expenditures	17,216	17,216	17,261	(45)
Excess of revenues over expenditures	0	0	3,601	3,601
Fund balance - beginning of year	12,361	12,361	12,361	0
Fund balance - end of year	<u>\$ 12,361</u>	<u>\$ 12,361</u>	<u>\$ 15,962</u>	<u>\$ 3,601</u>